



DEPUTY SECRETARY OF DEFENSE

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SPEAKER'S ROOMS
U.S. HOUSE OF REPS



SEP 3 2001

Honorable J. Dennis Hastert
Speaker of the House
Washington, DC 20515-1314

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Dear Mr. Speaker:

In accordance with Section 1205 of the Fiscal Year (FY) 1996 National Defense Authorization Act, Title XII of Public Law No. 104-106, the Department of Defense is reporting the renotification of up to \$39.15 million in FY 1999 funds provided for the Cooperative Threat Reduction (CTR) program under the FY 1999 Department of Defense Appropriations Act, Public Law 105-262. Specific amounts proposed to be obligated under each implementing agreement and project descriptions are provided in the enclosed report at Tab A.

This report maintains the total proposed to be obligated under the authority for the CTR program to \$3,244.2 million since its inception.

A similar letter is being sent to the Speaker of the House and the Chairmen and Ranking Members of the Committees on Armed Services, Appropriations, Foreign Relations, and International Relations, and the Subcommittees on Defense of the Senate and House Appropriations Committees, as directed in Public Law 104-106, Title XII, Section 1205.

Sincerely,

Enclosure:
As stated

REPORT ON PROPOSED OBLIGATIONS FOR WEAPONS DESTRUCTION AND NON-PROLIFERATION IN THE FORMER SOVIET UNION

August 17, 2001

In accordance with Section 1205 of the Fiscal Year (FY) 1996 National Defense Authorization Act, Title XII of Public Law No. 104-106, the Department of Defense (DoD) reports the renotification of up to \$39.150 million in FY 1999 funds to implement the Cooperative Threat Reduction (CTR) Program. Specific amounts proposed for obligation under each agreement and project description are provided below. This report maintains the total proposed to be obligated under the authority for the CTR program at \$3,244.2 million.

Renotification of FY 1999 Funds

Fissile Material Processing and Packaging (Warhead Dismantlement Processing) – Russia: The DoD previously notified Congress of proposed obligations of up to \$9.4 million of FY 1999 funds on June 23, 1999 for fissile material processing and packaging activities pursuant to an implementing agreement to be negotiated with the Ministry of the Russian Federation for Atomic Energy. The primary objective was to assist Russia by preparing weapons-grade fissile material for long-term storage in Fissile Material Containers (FMCs) and ultimately in the Fissile Material Storage Facility. These funds are to be renotified for other projects in view of the fact that the Russian Federation has withdrawn its request for CTR assistance for this objective.

Elimination of Weapons Grade Plutonium Production. The DoD previously notified Congress of proposed obligations of up to \$29.75 million to convert the cores of the three remaining weapons grade plutonium production reactors in Russia. Due to increased design complexity, technical difficulties and the negative assessment of the Russian nuclear regulatory agency, DoD has stopped all new work on fuel and reactor core design. An option has been studied that would permanently shut down the three reactors following refurbishment of 12 coal-fired boilers, replacement of two electrical power generators and construction of a co-generation plant. Congress, in the FY 2001 National Defense Authorization Act, prohibits construction of a fossil fuel energy plant intended to provide power to local communities that already receive power from nuclear energy plants that produce plutonium. These funds are to be renotified for other projects.

Strategic Offensive Arms Elimination-Russia: DoD proposes to obligate up to \$27.750 million of FY 1999 funds pursuant to an amendment to the Agreement Between the Department of Defense of the United States of America and the successor (yet to be designated officially) to the Ministry of Economics of the Russian Federation Concerning

Cooperation in the Elimination of Strategic Offensive Arms, signed August 26, 1993 and amended April 3, 1995, June 19, 1995, May 27, 1996, April 11, 1997, February 11, 1998, June 9, 1998, August 16, 1999 and August 8, 2000.

This proposed obligation will provide continued assistance to Russia in activities related to the following: the elimination of intercontinental ballistic missiles (ICBMs), submarine-launched ballistic missiles (SLBMs), ICBM silo launchers, ICBM mobile launchers, SLBM launchers and associated strategic ballistic missile submarines (SSBNs); disposition of spent naval fuel from SSBNs; the transportation, storage, and disposition of liquid rocket propellant; the disposition of liquid rocket fuel propellant storage and handling complexes; the provision of logistics support for emergency response support capability to respond to accidents involving the transport of ballistic missiles and associated liquid propellants.

Major Western contractors are providing training, services, and equipment for strategic offensive arms elimination in Russia. Private sector firms are contracted to design a solid propellant disposition facility as part of the elimination process for SS-24, SS-25, and SS-N-20 ICBMs and SLBMs, to dispose of SLBM and ICBM liquid fuel, to design and build two mobile oxidizer processing systems, to eliminate liquid propellant ICBMs (SS-17, SS-18, SS-19) and SS-18 launchers, and to provide logistic support to DoD CTR activities. Private sector firms will be used to build a propellant disposition facility, eliminate mobile ICBM launchers, and provide additional equipment and services to continue strategic offensive arms elimination in Russia. SLBMs (SS-N-6, SS-N-8, and SS-N-18) and SLBM launcher elimination with dismantlement of the associated SSBNs will be performed through Russian enterprises.

Strategic Nuclear Arms Elimination-Ukraine: DoD proposes to obligate up to \$10.2 million of FY 1999 funds pursuant to an amendment to the Agreement Between the Department of Defense of the United States of America and the Ministry of Defense of Ukraine Concerning the Provision of Material, Services, and Related Training to Ukraine in Connection with the Elimination of Strategic Nuclear Arms, signed December 5, 1993, entered into force on December 31, 1993, and amended December 18, 1993, March 21, 1994, April 1, 1995, June 27, 1995, June 4, 1996, May 1, 1997, June 12, 1998, July 10, 1999, and July 28, 2000.

Obligations under this Agreement will assist the Government of Ukraine in the elimination of strategic nuclear delivery systems. This assistance will continue the disassembly of SS-24 missiles; construction of storage for the disassembled rocket motors; elimination of START accountable missile components; construction and refurbishment of facilities and preparation for and disposition of SS-24 solid rocket motor propellant permitting missile motor elimination; elimination of bombers and associated missiles; and consolidated logistical support to maintain DoD-provided equipment.

DoD will continue to contract with private sector companies and Ukrainian enterprises to accomplish these activities. Bechtel National was awarded a contract to eliminate the SS-24 silos. Washington Group International, Inc. (Morrison Knudsen) is under contract to construct temporary storage for SS-24 missiles pending their elimination, and for the disassembly and elimination of SS-24 missiles. Raytheon was awarded a contract to provide logistics support to CTR equipment used in eliminating weapons of mass destruction and supporting infrastructure, and was contracted to eliminate strategic bombers and associated missiles in Ukraine.

Other Program Support: DoD proposes to obligate up to \$1.2 million in FY 1999 funds for general administrative and overall support costs and the conduct of an Audit and Examination program consistent with provisions included in all CTR implementing agreements. These funds will be used to ensure that DoD-provided equipment, services, and training are used exclusively for the intended purpose, and are satisfying the congressionally mandated goals of the CTR Program. Expenses provided for under Other Program Support include those associated with CTR delegation and technical team travel, translator/interpreter assistance, operational and support costs of the CTR offices at U.S. Embassy Moscow, Kiev, and Almaty, and contracted technical and analytical support as long as such expenses are not unique to specific projects or established implementing agreements. Other Program Support also covers costs associated with preliminary project activity prior to the conclusion of necessary implementing agreements.

DoD plans to retain private sector scientific, engineering and technical assistance (SETA) support to aid in the execution of the CTR program. The SETA contractor provides technical support and assists DoD program/project managers for all CTR projects to include: analyses, cost estimating, program management, acquisition strategy, program development, issue papers, briefings, arrangements for storing/shipping, specialized technical expertise, report generation, financial management support, translations, and technical and analytical support for source selection boards. Currently, Science Applications International Corporation (SAIC) is providing this support. Other specialized support from the private sector will be sought.

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WEAPONS DESTRUCTION AND NON-PROLIFERATION
IN THE FORMER SOVIET UNION**

SUMMARY OF PROPOSED OBLIGATIONS

Renotification of FY 1999 Funds	\$(K) Amount
Fissile Material Processing and Packaging (Russia)	(9,400)
Elimination of Weapons Grade Plutonium Production (Russia)	(29,750)
Strategic Offensive Arms Elimination (Russia)	27,750
Strategic Nuclear Arms Elimination (Ukraine)	10,200
Other Assessments/Administrative Costs	1,200